



Office of the City Auditor

Detention Services Billing Reconciliation Report No. 0502

August 24, 2005

The City has attempted to create a control environment sufficient to monitor detention service billings received from the County. A committee is currently exploring ways to expand and improve related reconciliation efforts. Formal assignment of contract administration responsibilities and establishment of a current intergovernmental agreement between Maricopa County and the City for detention services should be pursued.

CITY COUNCIL

Mayor
Mary Manross

Council
Betty Drake
Wayne Ecton
W.J. "Jim" Lane
Robert Littlefield
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August 24, 2005

To the Most Honorable Mary Manross, Mayor
and Members of the Scottsdale City Council

Transmitted herewith is a report on the procedures in place to monitor the costs of detention services provided by the Maricopa County Sheriff (Detention Services Billing Reconciliation Report No. 0502). Police and Court staff members were receptive and cooperative throughout the audit process and we would like to thank them.

If you need additional information or have any questions, please contact me at 480-312-7756.

Respectfully submitted,

A handwritten signature in cursive script that reads "Cheryl Lee Barcala".

Cheryl Barcala, CPA, CIA, CFE, CGFM, CISA, CISSP
City Auditor

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EXECUTIVE SUMMARY

An audit of the procedures in place to monitor the costs of detention services provided by the Maricopa County Sheriff was included on the 2005 Audit Plan for our Office. The purpose of the work was to ensure that sufficient controls are in place to verify the accuracy of invoices submitted for payment.

We found that the City has attempted to create a control environment sufficient to monitor these costs. Each month, the Detention Manager (a Police Department employee) reviews the invoice and related billing report to verify that the rates are correct and a City Court employee checks names listed to identify situations that appear to be errors in billing. Questionable charges are reported back to the County for correction.

As well, a standing committee (Criminal Justice Team) focusing on improvements that impact the Police Department, City Court, and City Attorney's Office has been reviewing the process in an attempt to improve and streamline the verification. A sub-committee of this group is currently looking at ways to reconcile the number of days billed for each inmate as well as ways to verify that appropriate allocations have been made when an inmate is serving concurrent time for charges filed in multiple jurisdictions. In addition, the potential for automation is being assessed in an effort to reduce the time needed to cross check names. Finally, the sub-committee initiated contact with the Maricopa County Finance Department to inquire about the potential for receiving more detailed information. Such information would be used to more accurately verify the billings and to improve the process for requesting billing adjustments when errors are identified.

The most important issue raised during this audit is the lack of a current intergovernmental agreement setting out the rights and obligations of the parties. The last such agreement expired in June 2003 and arrangements have continued under the premise that the terms outlined in that agreement still apply. According to the Detention Manager, County representatives have made recent contacts indicating that a new agreement is forthcoming. Coordination with other municipalities and regular contact with appropriate County representatives should be pursued to help ensure that a new detention services agreement is put in place.

The Action Plan on the following pages details our recommendations, management's responses to those recommendations, and the implementation status of management actions. Management's entire response can be found in Appendix A.

ACTION PLAN

No.	Recommendations and Management Response
	The Police Chief should ensure steps are taken to:
1	Consult with appropriate representatives from other municipalities and determine whether there are any actions that can be taken to facilitate establishment of a current detention services agreement.
	<p>Management Response: Management agrees with the recommendation. We continue to meet with other jurisdictions and consulted with MAG to facilitate our concerns. County Finance has recently informed us that a new contract proposal would be sent. It arrived within the past two weeks and is being reviewed by staff and legal. Currently a sub-committee from the Criminal Justice Team (CJT), which includes the detention manager, will continue to collaborate with their counterparts throughout the valley.</p> <p>Responsible Party: Glen Olson Completed By: October 1, 2005</p>
2	Maintain regular contact with appropriate County representatives to obtain the status of establishing a current detention services agreement.
	<p>Management Response: Management agrees with the recommendation. The detention manager is currently in contact with County representatives. The agreement was delivered approximately two weeks ago.</p> <p>Responsible Party: Glen Olson Completed By: October 1, 2005</p>
3	Formally identify the Detention Manager as the contract administrator for detention services received from the County and include these responsibilities in his annual performance review. Consider the need to provide additional training and resources to the Detention Manager to carry out his contract administration responsibilities.
	<p>Management Response: Management is in agreement with the recommendation. The Detention Manager has attended the City's contract administration class.</p> <p>Responsible Party: Cmdr. Wilton Completed By: Completed</p>

No.	Recommendations and Management Response
	The Police Chief and the Court Administrator should ensure steps are taken to:
1	Determine the most appropriate placement of billing report reconciliation responsibilities in light of contract administration assignment.
	<p>Management Response: Management is in agreement with the recommendation. Detention management will oversee the reconciliation responsibilities. Training will have to take place in order for the detention staff to understand and read City Courts data.</p> <p>The City Court agrees to work with the Police Chief, or designee(s), to provide information from the Court's case management system, through data feeds or downloads, which will allow the Police Department to have necessary case information to reconcile the report.</p> <p>Responsible Party: Cmdr. Wilton Completed By: October 1, 2005</p>

BACKGROUND

City of Scottsdale detention facilities are not designed for routine housing of inmates;¹ accommodations provided by the Maricopa County Sheriff are used to fill this need. When inmates are housed as the result of Scottsdale City Court judicial directives, the County bills the City on a monthly basis for each inmate held.

Rates for services, established annually by the County Board of Supervisors, are broken into two categories. The first is a booking rate that includes the cost of intake, classification, record establishment, positive identification of the inmate, initial medical screening, and general overhead. The second rate is a daily per diem that covers the costs of maintaining the inmate in a housing unit, food, clothing, bedding, as well as general medical/psychiatric care and treatment. As of July 1, 2005, the per diem also includes a charge for special medical care and treatment. In prior years, this was separately billed. The table below shows the current rates and those in effect for last fiscal year.

	FY 05/06	FY 04/05
Booking Rate	\$ 134.19	\$108.13
Per Diem	\$ 56.23	\$ 47.14

In FY 2004/05, the average monthly billing was for approximately 197 inmates at slightly over \$74,000. This equates to an annual cost of \$893,000 paid from the Police Department's budget and charged to the Detention Center as jail services. During this same period, the City collected approximately \$678,000 in reimbursements for the cost of detention services charged as a condition of sentencing. Authority for this recovery is set out in Scottsdale City Code (Chapter 9, Section 7.1), which allows charging defendants for their actual housing expenses. The recovery of these charges rests with the discretion of the Judge and decisions are based on ability to pay. To ensure that the Court has the current rates, the Detention Manager forwards a copy of any revised schedule that may be received from the County.

Billing Process

The City receives an "Inmate Housing Billing" report (billing report) and an invoice from Maricopa County each month. This billing report provides key descriptive information on each inmate such as name, date of birth, the charge, sentence length, sentence start date, warrant/case number, housing dates, and number of days the City is being billed at the booking rate as well as number of days billed at the housing per diem rate. If an inmate is housed

¹ In certain situations, the City may house inmates for short-term periods up to 48 hours.

at the judicial directive of more than one municipal court, both rates will be split between the jurisdictions and the bill to the City will reflect this as a portion of a day (e.g., one half day or one third of a day). At the end of the billing report is a summary of the City's totals for the month. The amounts are extended to arrive at the total bill.

Reconciliation Process

The Detention Manager receives the billing report and serves as the contract administrator. He coordinates reconciliation efforts and forwards any requests for billing adjustments to the County. Upon receipt of the monthly billing report and invoice, the Detention Manager immediately approves payment to the County in order to avoid any interest charges. He then uses the billing report summary information on the number of inmates housed at each rate and multiplies these numbers by the applicable billing rates in effect for the period. He totals the amounts and compares his results against the total charge indicated on the billing report. Through this process he verifies that the correct rates are being charged to the City.

The Detention Manager also sends the entire billing report to the City Court for a cross check of the names listed on Court records to ensure that only City inmates are listed. Court staff access their case management system referred to as AZTEC. The names on the billing report are compared to the names of defendants sentenced in the last six months. Any names not matched undergo further review. Ultimately, those persons appearing on the billing report but not in the AZTEC system are noted along with the dollar amount of their related billing. This information is then provided to the Detention Manager who sends the list to the County along with a memo requesting an adjustment for the related amounts. At some point in the future, an adjustment may be reflected on a subsequent billing report but details have not historically been provided by the County to allow a reconciliation of disputed charges to the credits posted.

SCOPE AND METHODOLOGY

The objective of this audit was to determine if sufficient procedures are in place at the City for reconciling the monthly billings received for the housing of inmates at Maricopa County detention facilities. The scope of this audit was limited to verifying the reconciliation process that the City undertakes.

To address the objective we:

- Interviewed the Police Department Detention Manager and City Court personnel about their involvement in the detention services billing reconciliation process.
- Obtained documentation that evidenced that the billing rates charged to the City during FY 04/05 was verified as being in accordance with the rates set by the County Board of Supervisors for the period.
- Reviewed documentation and procedures to determine if there was evidence that the City verifies that the County billing report contains only inmates housed at Sheriff facilities as the result of Scottsdale City Court judicial directives.
- Reviewed City Administrative Regulations related to contract administration guidelines for the purpose of determining the proper placement of reconciliation responsibilities.
- Obtained information on whether the Detention Manager has contract administration responsibilities incorporated into his annual performance review.
- Assessed the feasibility of a process for verifying the number of housing days billed.
- Reviewed documentation to verify that billing adjustments were requested from the County when exceptions were identified in the reconciliation process.
- Verified that the housing rates are provided to Court personnel so that they can be used relative to the judge's discretion to charge the inmate for their housing.

Audit work was conducted in accordance with generally accepted government auditing standards as they relate to expanded scope auditing in a local government environment and as required by Article III, Scottsdale Revised Code, Section 2-117, *et seq.* Survey work and audit testing took place in July 2005 with Ramon Ramirez conducting the work.

OBJECTIVE 1: DETERMINE IF SUFFICIENT PROCEDURES ARE IN PLACE AT THE CITY FOR RECONCILING THE MONTHLY BILLINGS RECEIVED FOR THE HOUSING OF INMATES AT MARICOPA COUNTY DETENTION FACILITIES.

Finding: Based on information currently available, the City has implemented sufficient procedures for reconciling monthly billings for detention services. Improvements are possible if additional information becomes available to facilitate matching number of days and verification of concurrent sentencing.

Criteria:

Reasonable efforts should be made to verify that amounts paid for detention services are accurate.

Condition:

There are four components of the County billing report that impact the cost to the City. For accuracy, the City should verify that:

- The rates used to determine the cost agree to what has been approved.
- The inmate listed is held under a City judicial directive.
- The number of days billed agree to the number of days housed.
- Appropriate splits have occurred when an inmate is held on judicial directives from more than one municipality.

The City has implemented steps to verify the first two components. We determined that steps are taken to ensure that the rates applied in the billing report match those established by the County Board of Supervisors for the period. In addition, we determined that Court personnel undertake a process to verify that inmates appearing on the monthly billing reports are held at County detention facilities as the result of Scottsdale City Court judicial directives.

With information currently available, however, there is no viable method to verify the other two components.

- The number of days any one particular inmate is housed during a particular month may not match the number of days sentenced because of many variables. First, a defendant may be picked up on a warrant and held until posting bail; Court records will not reflect this condition until a notice is received from the County and this may not be received for several months. Second, the term of incarceration may transcend more than one month. Third, the Sheriff's Office has the discretion to release an inmate for personal reasons on a condition that they return at a future date and

complete the sentence or credit days served; the City does not receive notice of these decisions. Obstacles such as these hamper the ability to verify this component of the billing report.

- There is no independent data source that can be used to verify whether detention services are accurately split among multiple jurisdictions when warranted.

Shortcomings in the ability to verify the accuracy of the billing reports have already been identified within the Court and Police Department.

For the errors caught through the portion of the reconciliation process that the City can perform, we verified that the City submits questionable charges to the County for resolution. However, we could not determine whether these questionable charges are satisfactorily addressed. When a correction is needed, the Detention Manager sends documentation to the County requesting a billing adjustment for the item(s). At some point in time, according to the Detention Manager, an adjustment may be reflected on a subsequent billing report. Detail of the adjustment is not provided making it difficult to reconcile questionable charges to the adjustments. The Detention Manager stated that he has not been successful in his attempts to get more detailed information from the County and, therefore, is not able to follow-up on any adjustments denied.

Cause:

The lack of access to all the information needed to reconcile the significant items on the billing reports as well as the lack of information in a format that would facilitate the reconciliation process.

Effect:

Only limited assurance can be obtained that the City is paying the appropriate amount for County detention services.

Recommendations:

None. Prior management support provided to the Criminal Justice Team and its subcommittee has been such that the group has identified the above-mentioned issues and is in the process of trying to identify appropriate resolutions. We have no reason to believe that this level of support will change in the future.

Finding: No written agreement between the City and Maricopa County addressing the provision of detention services is currently in effect.

Criteria:

An agreement should be in place that sets out the rights and obligations of parties providing and receiving County detention services.

Condition:

The last written agreement for detention services expired on June 30, 2003. That agreement set out definitions, services, responsibilities, rate setting procedures, recordkeeping, audit requirements, and other provisions. This expired agreement continues to be the premise upon which the services continue to be provided and billed.

In December 2003, the County's Chief Financial Officer sent a draft agreement along with a letter asking that the Detention Manager review the document. According to the Detention Manager, no other action has occurred until last month when he received a phone call from the County indicating that they would be sending a final agreement for signature. As of close of this audit, no documentation had been received.

Cause:

Unknown. According to the Detention Manager, other municipalities are in the same situation.

Effect:

The lack of a current agreement reduces the ability of the City to require compliance with previous terms.

Recommendations:

Consult with appropriate representatives from other municipalities and determine whether there are any actions that can be taken to facilitate establishment of a current detention services agreement.

Maintain regular contact with appropriate County representatives to obtain the status of establishing a current detention services agreement.

Finding: Contract administration duties need to be evaluated and formally assigned to a Contract Administrator.

Criteria:

Administrative Regulation (AR) 215 sets out the City's policy as it relates to contract administration. Provisions incorporated into this document state that the success and failure of many contracts rests with the contract administrator.

Section 4 of the AR indicates that each contract administrator should be evaluated annually on this aspect of their job duties. In addition, AR 215 indicates that a contract administrator is responsible for monitoring all aspects of the written contract, which would include ensuring that payments to the contractor are appropriate.

Condition:

The Detention Manager was named as a contact point in 1997 when the last written agreement was developed (Agreement for Detention Services between Maricopa County Board of Supervisors and City of Scottsdale, a Municipal Corporation). He has continued in this role during the period in which there is no written document setting out this assignment. He serves as the point of contact with the County, maintains correspondence on the services, and performs some reconciliation steps. He has not assumed all duties necessary to manage this arrangement and still relies on Court personnel to complete the verification of inmates listed on the billing report.

Court management has questioned the ongoing need for their personnel to complete this task (estimated to take about 8 hours a month). Initially, Court personnel assumed the responsibility due to the fact that the source data was maintained in Court records only accessible to authorized individuals. Improvements in technology have provided a mechanism for these duties to be performed by non-Court staff but the process has not changed.

We asked the Detention Manager about a review of this existing practice and he expressed his concern that he lacks the manpower to assume these responsibilities. This may be the result of Police Management not formally recognizing his contract administrative responsibilities.

We asked his supervisor about annual performance reviews of these administrative tasks. According to the supervisor, this has not occurred because he believed that the Court performed the majority of tasks related to the payment for detention services.

Cause:

The Detention Manager has not been formally identified as the County detention services contract administrator.

Effect:

Compliance with AR 215 is not achieved and the contract administrator's supervisor may not be fully aware that the contract administrator may need additional training and resources to fulfill his responsibilities.

Billing report reconciliation responsibilities are not under the direct control of the person who acts as the contract administrator.

Recommendations:


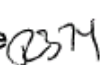
Formally identify the Detention Manager as the contract administrator for detention services received from the County and include these responsibilities in his annual performance review. Consider the need to provide additional training and resources to the Detention Manager to carry out his contract administration responsibilities.

Determine the most appropriate placement of billing report reconciliation responsibilities in light of contract administration assignment.

APPENDIX A – MANAGEMENT RESPONSES

MEMORANDUM

TO: Cheryl Barcala, City Auditor
Ramon Ramirez, Senior Auditor

FROM: Alan Rodbell, Chief of Police 
John Cocca, Deputy Chief of Police 

DATE: August 24, 2005

SUBJECT: Management Response- Detention Services Billing Reconciliation
Audit #0502

Thank you for the opportunity to review the Detention Services Billing Reconciliation Audit No 0502. We concur with your recommendations. Our follow up actions referencing your recommendations are attached. We wish to thank you and your staff for you efforts.



Scottsdale City Court
B. Monte Morgan
Presiding Judge

Janet G. Cornell
Court Administrator

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Memo To: Cheryl Barcala, City Auditor
Ramon Ramirez, Senior Auditor

From: Hon. B. Monte Morgan, Presiding Judge
Janet G. Cornell, Court Administrator

Subject: Detention Services Billing Reconciliation, Audit #0502

Date: August 26, 2005

We have received the Audit Report, #0502, Detention Services Billing Reconciliation. Thank you for this opportunity to comment on the Audit Report.

As noted in the Report, the purpose of the work was to ensure that sufficient controls are in place to verify the accuracy of invoices submitted by Maricopa County to the City of Scottsdale for in custody housing of defendants, as a result of City Court judicial orders. And, as indicated in the Report, there are elements of the process that can be improved. They continue to be addressed by a subcommittee of the Criminal Justice Team (CJT- members of the Scottsdale Police Department, the City Prosecutor and the City Court). We agree with the content and the recommendations as noted in the Report.

We appreciate the professional manner in which this audit was conducted. Thank you.